“Fiduciary” share of advised retail assets up 68% since 2005: Cerulli

By Editorial Staff *Thu, Jan 4, 2018*

'Fee-based relationships better align with the goals of firms, advisors, and investors by tying revenue growth to client portfolio performance,' Cerulli commented.

More than four-tenths (42%) of advised retail assets are now in the hands of advisors who are subject to a fiduciary standard, according to the December 2017 issue of The Cerulli Edge–U.S. Monthly Product Trends Edition. The comparable figure in 2005 was 25%.

This growth of fee-based managed accounts and the registered investment advisor (RIA) channel, which occurred in the wake of the Obama DOL fiduciary rule, are driving the trend, a Cerulli press release said. “Fee-based relationships better align with the goals of firms, advisors, and investors by tying revenue growth to client portfolio performance,” Cerulli commented.

Its latest report covers retail investor trends and highlights recent mutual fund and ETF flows. According to the report:

- November’s mutual fund net flows reflected the ongoing shift from active funds to passive funds, with net flows of $12.4 billion into index and exchange-traded funds and negative flows of $6.5 billion out of actively-managed mutual funds.
- ETF assets surged past $3.3 trillion, bolstered by net flows of $39.3 billion (organic growth of 1.2%). Capital appreciation powered the surge, especially in the U.S. where the S&P 500 Index returned 3.0% for November.

Cerulli also commented the criteria that advisory firms serving wealthy clients use to evaluate and select mutual fund managers. “Across all HNW practices, 63% rank philosophy and process as the most important factors,” the report said. Least important were “access to portfolio managers” and amount of assets under management.

“Multi-family offices (MFOs) place the greatest emphasis on philosophy and process (84%), while RIAs view fees and expenses (65%) as most important when conducting due diligence on asset managers,” Cerulli said.